

Message Text

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E.O. 11652: GDS

TAGS: UNWFC, EFIN, EAID, OCON

SUBJECT: INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

(IFAD): SUGGESTED AMMENDMENTS OF DRAFT AGREEMENT
BEING CONSIDERED BY GROUP 77 THAT WOULD STRENGTHEN
ROLL OF FODD AND AGRICULTURE ORGANIZATION (FAO)

1. FOLLOWING ARE TEXTS OF PROPOSED AMENDMENTS TO DRAFT AGREE-
MENT ESTABLISHING IFAD THAT HAVE BEEN PRESENTED BY FAO COUNCIL
CHAIRMAN GONZALO BULA HOYOS, ACTING ON BEHALF OF NEW FAO DIR-
ECTOR-GENERAL EDOUARD SAOUMA. U.S. POSSESSION OF TEXTS SHOULD
BE HELD CLOSELY. UNTIL THESE DOCUMENTS CAME INTO OUR POSSES-
SION WE HAD NO INDICATION THAT SAOUMA AND BULA HOYOS WERE AD-
DRESSING THEMSELVES TO IFAD AS WELL AS TO WORLD FOOD COUNCIL
RULES OF PROCEDURE. FAO DIRECTOR-GENERAL SAOUMA IS SCHEDULED
TO SPEAK TO IFAD MEETING, AT HIS EARLIER REQUEST.

2. QUOTE: PROPOSED AMENDMENT TO THE PREAMBLE OF THE DRAFT
AGREEMENT ESTABLISHING THE IFAD. THE PRESENT TEXT OF THE
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PREAMBLE DOES NOT ACKNOWLEDGE THE IMPORTANT RECOMMENDATIONS

OF THE FAO NOVEMBER 1975 CONFERENCE CONCERNING THE SUPPORT AND COOPERATION FAO IS PLEDGING TO IFAD'S TARGETS AND OPERATIONS. IN VIEW OF INCORPORATING THIS DEVELOPMENT AND OF ENSURING A PROPER FRAMEWORK FOR THE FUTURE COLLABORATION BETWEEN IFAD AND FAO, THE FOLLOWING AMENDMENT IS PROPOSED TO THE PREAMBLE OF THE DRAFT AGREEMENT. -- BEFORE "THE CONTRACTING PARTIES HAVE AGREED TO ESTABLISH...." ADD THE FOLLOWING PARAGRAPH: "BEARING IN MIND FAO'S RECOGNIZED POSITION AS THE INTERNATIONAL AGENCY CONCERNED WITH AND COMPETENT IN AGRICULTURAL DEVELOPMENT AND FOOD PROBLEMS TOGETHER WITH THE RESOLUTIONS ADOPTED BY FAO COUNCIL AND CONFERENCE IN NOVEMBER 1975 URGING ITS DIRECTOR-GENERAL TO PROVIDE THE STRONGEST SUPPORT OF FAO TO THE PROPOSED IFAD AND TO MAKE ALL NECESSARY ARRANGEMENTS FOR FULLY COOPERATING WITH THE FUND." UNQUOTE.

3. QUOTE: PROPOSED AMENDMENTS TO ARTICLE 4 OF THE DRAFT AGREEMENT ESTABLISHING IFAD. IN VIEW OF ENSURING MORE FLEXIBILITY AND CONTINUITY IN THE FUND'S OPERATIONS AND INCREASING ITS RESOURCES, IT WOULD BE OF GREAT INTEREST THAT THE FUND BE AUTHORIZED TO MAKE BORROWINGS ON THE CAPITAL MARKETS ON TERMS AND CONDITIONS TO BE ADOPTED BY THE GOVERNING BODY. SO AS TO MAKE THESE ADDITIONAL RESOURCES AVAILABLE TO DEVELOPING MEMBER STATES ON CONCESSIONAL TERMS, A SMALL PROPORTION OF THE CONTRIBUTIONS WOULD BE USED FOR BRIDGING THE GAP BETWEEN RATES OR INTEREST LIKELY TO EXIST BETWEEN BORROWINGS ON THE CAPITAL MARKETS AND LOANS MADE AT CONCESSIONAL TERMS. AS AN EXAMPLE, IF US \$200 MILLION WERE BORROWED AT 8 PERCENT INTEREST RATE AND RELENT TO MEMBER COUNTRIES THE SAME YEAR AT 4 PERCENT INTEREST RATE, THE USE OF CONTRIBUTIONS TO THE LEVEL OF US \$8 MILLION ANNUALLY WOULD BRIDGE THE DIFFERENCE IN RATES OF INTEREST. THIS IMPLIES THAT THE USE OF A SMALL AMOUNT OF CONTRIBUTIONS WOULD LEAD TO A SUBSTANTIAL INCREASE OF THE FUND'S LENDINGS FOR AGRICULTURAL DEVELOPMENT.

IN ORDER TO GIVE SUCH OPPORTUNITY TO THE FUND IN ITS OPERATIONS, THE FOLLOWING AMENDMENTS TO ARTICLE 4 ARE PROPOSED: (1) SECTION 1 - ADD AFTER (IV) A LINE (V) WHICH WOULD READ: "(V) FUNDS BORROWED IN ACCORDANCE WITH SECTION 6 OF ARTICLE 4." (2) AFTER SECTION 5, INSERT A SECTION 6 WHICH WOULD READ AS FOLLOWS: "SECTION 6 BORROWINGS. THE RESOURCES OF THE CONFIDENTIAL

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FUND MAY BE INCREASED BY FUNDS BORROWED FROM MEMBER STATES OF THE FUND AND/OR FROM INTERNATIONAL FINANCING INSTITUTIONS OR BY FUNDS BORROWED ON THE CAPITAL MARKETS, ON TERMS AND CONDITIONS TO BE APPROVED BY THE GOVERNING COUNCIL ON THE RECOMMENDATIONS OF THE EXECUTIVE BOARD." UNQUOTE.

4. QUOTE: PROPOSED AMENDMENTS TO DRAFT ARTICLES 7 AND 8 OF AGREEMENT OF I.F.A.D. FAO THROUGH ITS INVESTMENT CENTER AND

OTHER INVESTMENT AND PRE-INVESTMENT ORIENTED ACTIVITIES HAS BUILT UP SINCE A NUMBER OF YEARS A HIGH CAPACITY AND WIDE EXPERIENCE IN TERMS OF INVESTMENT PROJECTS AND PROGRAMMES LEADING TO AGRICULTURAL DEVELOPMENT. FAO IS ANXIOUS, AS THE LATEST SESSION OF ITS COUNCIL AND CONFERENCE HAVE FORCEFULLY CONFIRMED, TO PUT THIS WIDE EXPERIENCE AND EFFECTIVENESS AT THE DISPOSAL OF THE IFAD IN ORDER TO PROVIDE FULL SUPPORT TO IFAD'S OPERATIONS. IN ORDER TO ACHIEVE SUCH GOALS WHICH ARE CONSISTENT BOTH WITH IFAD'S TARGETS AND WITH FAO'S RECOGNIZED COMPETENCE AND ATTRIBUTIONS IN THE FIELD OF AGRICULTURAL DEVELOPMENT, THE FOLLOWING AMENDMENTS TO ARTICLES 7 AND 8 OF DRAFT AGREEMENT ARE PROPOSED:

(1) ARTICLE 7, SECTION 2, PARAGRAPH (D) TO READ AS FOLLOWS:
(WORDS UNDERLINED ARE PROPOSED ADDITIONS) "DECISIONS WITH REGARD TO THE SELECTION AND APPROVAL OF PROJECTS AND PROGRAMMES (BEGIN UNDERLINE) INCLUSIVE OF TECHNICAL ASSISTANCE, (END UNDERLINE) SHALL BE MADE BY THE EXECUTIVE BOARD ON THE BASIS OF BROAD POLICIES, CRITERIA AND REGULATIONS ESTABLISHED BY THE GOVERNING COUNCIL. (BEGIN UNDERLINE) ACTUAL SELECTION, FORMULATION, PREPARATION AND APPRAISAL OF PROJECTS AND PROGRAMMES FOR THE APPROVAL OF THE EXECUTIVE BOARD SHALL BE CARRIED OUT IN COLLABORATION WITH FAO WITHIN THE FRAMEWORK OF A RELATIONSHIP AGREEMENT BETWEEN IFAD AND FAO WHICH WILL INCLUDE PROVISION FOR THE COLLABORATION REFERRED TO HERE ABOVE (END UNDERLINE). THE PROJECTS AND PROGRAMMES SHALL BE IMPLEMENTED THROUGH (BEGIN UNDERLINE) FAO (END UNDERLINE), EXISTING WORLD-WIDE AND REGIONAL FINANCIAL INSTITUTIONS, AND OTHER AGENCIES INITIALLY SELECTED AND PERIODICALLY REVIEWED BY THE EXECUTIVE BOARD IN ACCORDANCE WITH AGREEMENTS MADE BETWEEN THE FUND AND SUCH ORGANIZATIONS, IN THEIR CAPACITY AS EXECUTING AGENTS, AND CONSISTENT WITH THE FUND'S POLICIES AND WITH DUE REGARD FOR EFFICIENCY AND ECONOMY."
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(2) ARTICLE 7, SECTION 2, NEW SUB-SECTION (E) TO READ:
(WORDS UNDERLINED ADDED) "WHERE APPROPRIATE ARRANGEMENTS WITH AN INTERNATIONAL OR REGIONAL INTERMEDIARY ARE NOT POSSIBLE FOR (BEGIN UNDERLINE) THE IMPLEMENTATION OF (END UNDERLINE) A SPECIFIC PROJECT OR PROGRAMME ON TERMS AND CONDITIONS CONSISTENT WITH THE FUND'S OWN POLICIES, OR WHERE IT IS CLEARLY JUSTIFIED ON CONSIDERATION OF ECONOMY, EFFICIENCY AND EFFECTIVE IMPLEMENTATION, THE EXECUTIVE BOARD MAY APPROVE, AS A SPECIAL CASE, THE USE OF THE SERVICES OF AN EXPERIENCED INSTITUTION IN THE RECIPIENT COUNTRY FOR A SPECIFIC PROJECT OR PROGRAMME. IN THESE SPECIAL CASES, APPROVAL BY THE EXECUTIVE BOARD SHALL BE BY A THREE-FOURTH MAJORITY OF THE TOTAL NUMBER OF VOTES. ANY PROJECT OR PROGRAMME SO APPROVED SHALL BE SUBJECT TO MONITORING (BEGIN UNDERLINE) AND TECHNICAL SUPER-

VISION (END UNDERLINE) BY (BEGIN UNDERLINE) FAO (END UNDERLINE)."

(3) ARTICLE 8, SECTION 2, ADD: (AS UNDERLINED) "THE FUND SHALL, WHERE APPROPRIATE, COOPERATE CLOSELY WITH (BEGIN UNDERLINE) FAO AND OTHER (END UNDERLINE) ORGANIZATIONS OF THE UNITED NATIONS SYSTEM, OTHER INTERGOVERNMENTAL ORGANIZATIONS, FINANCIAL INSTITUTIONS (40) NON-GOVERNMENTAL ORGANIZATIONS AND GOVERNMENTAL AGENCIES CONCERNED WITH AGRICULTURAL DEVELOPMENT. TO THIS END THE FUND MAY ENTER INTO AGREEMENTS (41) OR ESTABLISH WORKING ARRANGEMENTS WITH SUCH ORGANIZATIONS, INSTITUTIONS AND AGENCIES (BEGIN UNDERLINE) SUBJECT TO APPROVAL OF ITS GOVERNING COUNCIL (END UNDERLINE)". UNQUOTE.

5. QUOTE: PROPOSED AMENDMENTS TO THE DRAFT RESOLUTION ESTABLISHING A PREPARATORY COMMISSION FOR THE I.F.A.D. IN LINE WITH FAO'S STATED INTENTION OF PROVIDING THE UTMOST SUPPORT TO IFAD'S TARGETS AND OPERATIONS AND PURSUANT TO THE PROPOSED AMENDMENTS TO THE DRAFT AGREEMENT ESTABLISHING IFAD, THE FOLLOWING MODIFICATIONS ARE PROPOSED TO THE DRAFT RESOLUTION ESTABLISHING A PREPARATORY COMMISSION.

(1) SECTION B, ARTICLES 2 AND 3 SHOULD READ (PROPOSED ADDITIONS UNDERLINED) "2 - ESTABLISH AN INTERIM SECRETARIAT FOR THE FUND (BEGIN UNDERLINE) IN COOPERATION WITH FAO (END UNDERLINE) TO SERVICE THE COMMISSION AND TO PERFORM SUCH OTHER CONFIDENTIAL

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DUTIES AS THE COMMISSION MAY DETERMINE. 3 - MAKE APPROPRIATE ARRANGEMENTS WITH THE UNITED NATIONS (BEGIN UNDERLINE) AND MORE SPECIFICALLY WITH FAO (END UNDERLINE) FOR THE SERVICING OF THE COMMISSION WITHIN THE FRAMEWORK OF THESE ORGANIZATIONS."

(2) SECTION C, ARTICLE 1 (C) SHOULD READ (ADDITIONS UNDERLINED) "(C) WORKING PAPERS ON POLICIES, CRITERIE AND REGULATIONS TO GOVERN FINANCING BY THE FUND, (BEGIN UNDERLINE) TO BE PREPARED IN COOPERATION WITH FAO (END UNDERLINE)."

(3) SECTION C, ARTICLE 3 SHOULD INCLUDE A NEW PARA (B) TO BE INSERTED BETWEEN PARA (A) AND PRESENT PARA (B) (TO BECOME (C), WHICH WOULD READ AS FOLLOWS: "(B) A RELATIONSHIP AGREEMENT WITH FAO IN ACCORDANCE WITH SECTION 2 OF ARTICLE 7 AND SECTION 2 OF ARTICLE 8 OF THE AGREEMENT, AS WELL AS ANY SUBSIDIARY AGREEMENTS OR ARRANGMENTS IN RESPECT OF THE STAFF, OPERATIONS AND POLICIES OF THE FUND." UNQUOTE. VOLPE

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